

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>West Bloomfield Public Library</u>	County: Oakland
Audit Date March 31, 2005	Opinion Date June 10, 2005	Date Accountant Report Submitted To State: August 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature 			

West Bloomfield Township Public Library

**Financial Report
with Supplemental Information
March 31, 2005**

West Bloomfield Township Public Library

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Independent Auditor's Report

To the Board of Directors
West Bloomfield Township Public Library

We have audited the accompanying financial statements of governmental activities and each major fund of the West Bloomfield Township Public Library (a component unit of the Charter Township of West Bloomfield) as of and for the year ended March 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Bloomfield Township Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of West Bloomfield Township Public Library as of and for the year ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



A worldwide association of independent accounting firms

To the Board of Directors
West Bloomfield Township Public Library

As described in Note 12, the Library has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Plante & Moran, PLLC

June 10, 2005

West Bloomfield Township Public Library

	Individual Library Funds				
	Major Funds			Nonmajor Funds	
	General Fund	Debt Service Fund - Debt Retirement	Capital Projects Fund - Capital Improvements and Automation	Accrued Employee Benefits Fund	Endowment Fund
Assets					
Cash and cash equivalents (Note 4)	\$ 5,985,360	\$ -	\$ -	\$ -	\$ -
Receivables:					
Property taxes (Note 1)	306,375	-	-	-	-
Other	992	-	-	-	-
Other assets	-	-	-	-	-
Due from General Fund/internal balances	-	1,054,819	1,988,142	21,245	61,804
Capital assets (Note 6)	-	-	-	-	-
Total assets	\$ 6,292,727	\$ 1,054,819	\$ 1,988,142	\$ 21,245	\$ 61,804
Liabilities					
Accounts payable	\$ 138,873	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	54,725	-	-	-	-
Long term debt - Current portion (Note 7)	-	-	-	-	-
Deferred revenue	306,375	-	-	-	-
Due to other funds/internal balances	3,126,010	-	-	-	-
Long term debt - Net of current portion (Note 7)	-	-	-	-	-
Total liabilities	3,625,983	-	-	-	-
Fund Balances - Unreserved - Designated (Note 5)	2,666,744	1,054,819	1,988,142	21,245	61,804
Total liabilities and fund balances	\$ 6,292,727	\$ 1,054,819	\$ 1,988,142	\$ 21,245	\$ 61,804
Net Assets					
Invested in capital assets					
Unrestricted					
Total net assets					

Individual Funds Balance Sheets/Statement of Net Assets
March 31, 2005

Library as a Whole		
Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
\$ 5,985,360	\$ -	\$ 5,985,360
306,375	-	306,375
992	-	992
-	-	-
3,126,010	(3,126,010)	-
-	15,333,173	15,333,173
\$ 9,418,737	12,207,163	21,625,900
\$ 138,873	-	138,873
54,725	123,573	178,298
-	775,000	775,000
306,375	(306,375)	-
3,126,010	(3,126,010)	-
-	5,742,108	5,742,108
3,625,983	3,208,296	6,834,279
5,792,754	(5,792,754)	-
\$ 9,418,737		
	9,033,173	9,033,173
	5,758,448	5,758,448
	\$ 14,791,621	\$ 14,791,621

West Bloomfield Township Public Library

	Individual Library Funds				
	Major Funds			Nonmajor Funds	
	General Fund	Debt Service Fund - Debt Retirement	Capital Projects Fund - Capital Improvements and Automation	Accrued Employee Benefits Fund	Endowment Fund
Revenue					
Property tax (Note 1)	\$ 5,197,752	\$ -	\$ -	\$ -	\$ -
State aid	81,186	-	-	-	-
Charges for services	641,663	-	-	-	-
Fines and fees	155,145	-	-	-	-
Penal fines	139,097	-	-	-	-
Interest	51,155	-	-	-	-
Contributions	30,714	-	-	-	-
Miscellaneous	17,059	-	-	-	-
Total revenue	6,313,771	-	-	-	-
Expenditures					
Personnel services	2,174,040	-	-	-	-
Supplies	118,930	-	-	-	-
Professional and contractual	397,887	-	-	-	-
Communications	21,728	-	-	-	-
Staff development	42,489	-	-	-	-
Community promotion	87,807	-	-	-	-
Insurance and bonds	51,691	-	-	-	-
Utilities	212,595	-	-	-	-
Repairs and maintenance and automation purchases	236,997	-	-	-	-
Rentals	20,592	-	-	-	-
On-line reference	3,000	-	-	-	-
Capital outlay	734,521	-	280,162	-	-
Depreciation	-	-	-	-	-
Lease payment on West Bloomfield Township Building Authority bonds (Note 7)	-	1,063,375	-	-	-
Total expenditures	4,102,277	1,063,375	280,162	-	-
Excess of Revenue Over (Under) Expenditures	2,211,494	(1,063,375)	(280,162)	-	-
Other Financing Sources (Uses)					
Operating transfers in	-	1,054,438	718,340	100	29,539
Operating transfers out	(1,802,417)	-	-	-	-
Total other financing sources (uses)	(1,802,417)	1,054,438	718,340	100	29,539
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	409,077	(8,937)	438,178	100	29,539
Fund Balance/Net Assets - Beginning of year	2,257,667	1,063,756	1,549,964	21,145	32,265
Fund Balance/Net Assets - End of year	<u>\$ 2,666,744</u>	<u>\$ 1,054,819</u>	<u>\$ 1,988,142</u>	<u>\$ 21,245</u>	<u>\$ 61,804</u>

**Individual Funds Statements of Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended March 31, 2005**

		Library as a Whole	
Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full- accrual Basis	
\$ 5,197,752	\$ 68,868	\$	5,266,620
81,186	-		81,186
641,663	-		641,663
155,145	-		155,145
139,097	-		139,097
51,155	-		51,155
30,714	-		30,714
17,059	-		17,059
6,313,771	68,868		6,382,639
2,174,040	56,311		2,230,351
118,930	-		118,930
397,887	-		397,887
21,728	-		21,728
42,489	-		42,489
87,807	-		87,807
51,691	-		51,691
212,595	-		212,595
-	-		-
236,997	-		236,997
20,592	-		20,592
3,000	-		3,000
1,014,683	(898,020)		116,663
-	1,235,942		1,235,942
1,063,375	(763,750)		299,625
5,445,814	(369,517)		5,076,297
867,957	438,385		1,306,342
1,802,417	(1,802,417)		-
(1,802,417)	1,802,417		-
-	-		-
867,957	438,385		1,306,342
4,924,797	8,560,482		13,485,279
\$ 5,792,754	\$ 8,998,867	\$	14,791,621

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the West Bloomfield Township Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library, a component unit of the Charter Township of West Bloomfield, is governed by an autonomous six-member board of trustees elected on a non-partisan basis under Michigan Public Act 164. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense. Debt service expense is eliminated as the outstanding debt balance is reduced on the statement of net assets.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Service Fund - Debt Retirement Fund - The Debt Retirement Fund is used to account for the annual payments of principal, interest, and expenses in connection with the Library facility renovation and addition.

Capital Projects Fund - Capital Improvements and Automation - The Capital Improvements and Automation Fund accounts for certain capital improvements and automation expenditures designated by the Library board that are intended to be funded by amounts periodically set aside from the Library General Fund.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the Library totaled approximately \$3.6 billion, on which ad valorem taxes levied consisted of 1.4347 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$5,198,000 for operations and is recognized in the General Fund financial statements as tax revenue.

At March 31, 2005, there were \$306,375 of property taxes that were billed and are expected to be collected during the year ending March 31, 2006. That amount has been recorded as deferred revenue since the amount was not available for use to finance operations as of year end.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 years
Shelving	15 years
Furniture	10 years
Equipment	8 years
Library collection	7 years
Computers	5 years

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, debt service payments are recognized during the current period. The face amount of debt issued is reported as other financing sources.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheets and statements of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 5,792,754
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	15,333,173
Deferred revenue is recorded in the funds for property tax revenue not available within 30 days of year end	306,375
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,300,000)
Compensated absences are included as a liability	(217,108)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(123,573)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 14,791,621</u>

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis \$ 867,957

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and audiovisual materials	750,770
Capital outlay	147,250
Depreciation	(1,235,942)

Revenue is not recorded in the funds for property taxes collected more than 30 days after year end.	68,868
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Decrease in accrued interest reported as a reduction to interest expense in the statement of activities, but not in the fund statements	13,750
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Capital lease payments are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	750,000
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Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund financial statements	<u>(56,311)</u>
---	-----------------

Change in Net Assets - Full Accrual Basis \$ 1,306,342

Note 3 - Budget Information

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted in the revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 3 - Budget Information (Continued)

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund can be found in the required supplemental information section. The Library does not prepare a budget for the other funds.

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, there were no significant expenditures in excess of the amounts budgeted.

Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the following instruments:

1. Treasury bills, treasury bonds, treasury notes, debt securities, and other obligations of the United States of America or an agency or instrumentality of the United States of America.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. The financial institution must be a state or nationally chartered bank, a state or federally chartered savings and loan association, or a savings bank or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office located in the State of Michigan under the laws of the State of Michigan or the United States of America.
3. Investment pools composed of investment vehicles, which are legal for direct investment by local units of government in Michigan in accordance with Public Act No. 367 of 1982.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 4 - Deposits and Investments (Continued)

4. Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
5. In certificates of deposit, savings accounts, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union meets all criteria as depository of public funds contained in state law.

The breakdown between deposits and investments for the Library is as follows:

Deposits	\$ 129,383
Investments in bank investment pools	5,855,727
Petty cash or cash on hand	<u>250</u>
Total	<u>\$ 5,985,360</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$247,596. Of that amount, approximately \$181,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 4 - Deposits and Investments (Continued)

The Library's investments during the year consisted solely of bank investment pools. Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Bank investment pools are regulated by the Michigan Banking Act. The fair value of the bank investment pools is the same as the pool shares. The Library believes that the investments in these funds comply with the investment authority noted above. The Library's investments are recorded at fair value.

Note 5 - Designated Fund Balances

The West Bloomfield Township Public Library board has designated all of the General Fund's fund balance for future expenditures (to provide sufficient working capital to operate the Library from the beginning of its fiscal year, April 1, until property taxes are received in December) and has designated the Capital Improvements and Automation Fund's fund balance for future capital needs. In addition, the fund balances of the Accrued Employee Benefits Fund, Endowment Fund, and the Debt Retirement Fund are designated for employee benefits, endowment projects, and debt retirement, respectively.

Note 6 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Capital assets not being depreciated -				
Land and land improvements	\$ 143,593	\$ -	\$ -	\$ 143,593
Capital assets being depreciated:				
Building and improvements	13,669,992	46,956	-	13,716,948
Computers, furniture, and equipment	1,828,169	100,294	-	1,928,463
Library books and audiovisual materials	4,528,882	750,770	(494,974)	4,784,678
Subtotal	20,027,043	898,020	(494,974)	20,430,089
Less accumulated depreciation	(4,499,541)	(1,235,942)	494,974	(5,240,509)
Net capital assets being depreciated	15,527,502	(337,922)	-	15,189,580
Net capital assets	\$ 15,671,095	\$ (337,922)	\$ -	\$ 15,333,173

Capital assets, including library books, are recorded at cost. Depreciation expense was \$1,235,942 for the year ended March 31, 2005.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 7 - Long-term Debt

Outstanding Debt

The long-term debt of the Library consists of accumulated employee benefits of \$217,108 and a contractual lease obligation with West Bloomfield Township for the Library building with an outstanding principal balance of \$6,300,000 as of March 31, 2005. Accrued interest payable on the lease obligation as of March 31, 2005 was \$123,573.

The terms of the capital lease with West Bloomfield Township call for the Library to make the scheduled principal and interest payments on the general obligation bonds issued by the Township in 1997. The original bond issue totaled \$10,850,000. The bonds bear interest at rates between 4.5 percent and 4.8 percent and mature through 2012. The current portion of the outstanding principal balance is \$775,000 as of March 31, 2005.

The accumulated employee benefits represent the estimated liability to be paid to employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation and sick time based on time of service with the Library.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Library for the year ended March 31, 2005:

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease obligation with West Bloomfield Township for the Library building						
Original issue: \$10,850,000						
Maturing through 2012	4.5%-4.8%	\$ 7,050,000	\$ -	\$ (750,000)	\$ 6,300,000	\$ 775,000
Compensated absences		160,797	56,311	-	217,108	-
Total long-term debt		<u>\$ 7,210,797</u>	<u>\$ 56,311</u>	<u>\$ (750,000)</u>	<u>\$ 6,517,108</u>	<u>\$ 775,000</u>

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 7 - Long-term Debt (Continued)

Debt Service Requirements

Annual debt service requirements to service all debt outstanding (excluding compensated absences) including both principal and interest, as of March 31, 2005 are as follows:

Fiscal Year Ending March 31	Principal	Interest	Total
2006	\$ 775,000	\$ 279,138	\$ 1,054,138
2007	775,000	243,875	1,018,875
2008	775,000	207,838	982,838
2009	775,000	171,413	946,413
2010	800,000	134,200	934,200
2011-2013	<u>2,400,000</u>	<u>172,800</u>	<u>2,572,800</u>
Total	<u>\$ 6,300,000</u>	<u>\$ 1,209,264</u>	<u>\$ 7,509,264</u>

Interest

Total interest incurred for the Library for the year approximated \$313,000.

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for workers' compensation, health, and disability claims, and participates in the state pool program of the Michigan Municipal Risk Management Authority for claims relating to general liability and property. The Library is uninsured for unemployment claims. There were no claims made during the fiscal year ended March 31, 2005 and the Library has no liability as of March 31, 2005 for unemployment claims incurred to date. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program. Member premiums are used to purchase excess insurance, which is partly underwritten by the Authority.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 9 - Defined Contribution Retirement Plan

The Library provides pension benefits to certain full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. Participating employees are required to contribute 5 percent of their gross earnings. As established by the West Bloomfield Township Library Pension Trust, the Library makes a discretionary contribution of 7.5 percent of employee gross earnings. In accordance with these requirements, the Library contributed approximately \$84,000 during the current year, and the employees contributed approximately \$54,000.

Note 10 - Postemployment Benefits

The Library provides health care benefits to all full-time employees who retire at age 62 with 18 or more years of full-time service or at age 65 with 15 or more years of full-time service in accordance with library board resolution. Currently three employees are eligible. The Library included pre-Medicare retirees in its insured health care plan with no contribution required by the participant. The Library purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to approximately \$20,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the Library as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended March 31, 2010.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2005

Note 11 - Contingency

The State Tax Commission recently revised the tables that are used to calculate the assessment of personal property taxes. In addition to revisions made to the general personal property tax tables, the State Tax Commission also approved new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that use of the new utility tables result in approximately a 30 percent revenue loss on those properties. Many communities have elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue is the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. Depending on the outcome of this lawsuit, the Library may owe refunds of previously collected taxes. The amount of these potential refunds is approximately \$69,000.

Note 12 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Library has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Library has elected to implement the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Library's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets in the statement of net assets totaling approximately \$20.6 million that would previously have been reported in the General Fixed Assets Account Group
- The statement of net assets includes a capital lease and other long-term obligations totaling \$6.5 million previously reported in the General Long-term Debt Account Group

Required Supplemental Information

West Bloomfield Township Public Library

Required Supplemental Information Budgetary Comparison Statement General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenues				
Property taxes	\$ 5,131,283	\$ 5,192,800	\$ 5,197,752	\$ 4,952
State aid	58,000	81,000	81,186	186
Contract for services	441,500	640,450	641,663	1,213
Fines and fees	139,500	153,000	155,145	2,145
Penal fines	137,500	138,500	139,097	597
Interest	30,000	42,000	51,155	9,155
Endowment gifts	300	30,501	30,714	213
Miscellaneous	-	7,790	17,059	9,269
Total revenues	5,938,083	6,286,041	6,313,771	27,730
Expenditures				
Personnel services	2,383,838	2,383,838	2,174,040	209,798
Supplies	111,575	126,175	118,930	7,245
Professional and contractual services	477,738	443,835	397,887	45,948
Communications	35,800	26,000	21,728	4,272
Staff development and transportation	52,000	52,000	42,489	9,511
Community promotion	63,000	88,000	87,807	193
Insurance and bonds	52,000	52,000	51,691	309
Utilities	220,500	232,500	212,595	19,905
Repairs and maintenance	288,500	263,500	236,997	26,503
Rentals	21,000	21,000	20,592	408
Online cataloging services	3,000	3,000	3,000	-
Capital outlay	784,094	791,989	734,521	57,468
Transfers to other funds	1,445,038	1,802,204	1,802,417	(213)
Total expenditures	5,938,083	6,286,041	5,904,694	381,347
Excess of Revenue Over Expenditures	-	-	409,077	409,077
Fund Balance - Beginning of year	2,257,667	2,257,667	2,257,667	-
Fund Balance - End of year	<u>\$ 2,257,667</u>	<u>\$ 2,257,667</u>	<u>\$ 2,666,744</u>	<u>\$ 409,077</u>



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June 10, 2005

Board of Trustees
West Bloomfield Township Public Library
4600 Walnut Lake Road
West Bloomfield, MI 48323

Dear Board Members:

We have recently completed our audit of the financial statements for the West Bloomfield Township Public Library for the year ended March 31, 2005. As a result of our audit, we offer the following observations and comments for your consideration:

Last year, we noted certain matters involving the internal control and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. We congratulate the Library for the additional procedures that were put in place to provide a proper segregation of duties related to the cash receipting process.

Last year, we encouraged the Library to closely review the underlying activity and supporting records while recording transactions. During this year's audit, we noted far fewer correcting journal entries than in the previous year.

Last year, we recommended adopting an electronic transfer of funds policy in accordance with Public Act 738 of 2002. This policy was adopted by the Board on September 8, 2004.

New Financial Statement Reporting Model – GASB 34

As we have discussed over the last several years, the Governmental Accounting Standards Board (GASB) issued a new pronouncement that changed the presentation of governmental financial statements. The Library fully implemented GASB Statement No. 34 as of April 1, 2004, which included restating the Library's financial information as of that date for these changes. Some of these changes include:

- The addition of a government-wide financial statement prepared on a full accrual basis
- Budgetary schedules comparing original budget and final amended budget to actual balances
- Capitalization and depreciation of fixed assets
- Recording of long-term liabilities, such as the Library's capital lease payable to West Bloomfield Township and the accrued compensation payable to employees for vacation and sick.

Board of Trustees
West Bloomfield Township Public Library

We congratulate the Library for the work performed during the year in order to successfully implement GASB 34.

The new financial statement model is intended to provide information about both the Library's current financial and total economic resources and will supplement the Library's current reporting perspective. The expected benefits of the new model include improved comparability of financial statements between governmental entities, and a better matching of the current year's revenue sources to the full cost of services provided during that year.

We appreciate the opportunity to serve as your auditors. We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "David Helisek".

David Helisek

A handwritten signature in black ink, appearing to read "Brian J Camiller".

Brian J Camiller